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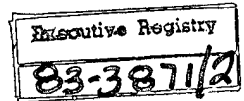
THE SECRETARY OF STATE
WASHINGTON

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MEMORANDUM FOR: WILLIAM P. CLARK

From: George P. Shultz 4.3

Subject: The Department of State as a National Security Element

From your memorandum of June 21 I can see that Dave Stockman has misunderstood our request to be treated as a national security agency. I cannot emphasize too strongly that our request does not spring from any dissatisfaction with the treatment accorded us by Dave and his people. We have established a cooperative relationship with OMB and they have provided reasonable increases in both personnel and funds. Unfortunately the increases they have been able to grant are not sufficient to overcome the damage caused by periodic reductions over the past 20 years. Our greatest need is to avoid future across-the-board cuts and other administrative restrictions that are required of all domestic agencies.

The State Department has approximately the same number of Foreign Service officers today that it did 24 years ago. In the interim, however, the number of embassies has grown substantially, as has our consular workload and the administrative support service provided the more than 40 other agencies with overseas operations. In addition, State has had to assume a variety of new responsibilities because the character of diplomacy has taken on so many added dimensions. To meet this changing and growing workload, and yet live within our employment and position ceilings, we have had to reduce the number of reporting and analysis positions. From 1970 to 1978, for example, the number of political and economic officer positions decreased by 250, while the number of administrative and consular officer positions increased by 912. Just to provide physical security for our personnel and missions alone now requires about 500 officer positions and costs us about \$100 million annually.

In very recent years OMB and Congress have provided some increase in reporting and analysis positions, but not enough to restore all of those eliminated in the past. This has not only weakened our ability to contribute to

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overt intelligence gathering but has left us short of the number required to maintain the desired ratio of our people to those of the intelligence agencies. Furthermore, those agencies have been in the process of actually increasing their overseas staffs, in some cases to undertake work that would normally be done by Foreign Service Officers.

Since we are already short of positions, what State fears most, and what really prompted our request for security status, is the danger of being included in future blanket personnel reductions which have been mandated for domestic agencies in the past. Each of those prior cuts has hurt us because we have never received more than a partial dispensation from any of them. The most recent, of course, is the current Administration effort to reduce federal employment by 75,000 by 1984. DOD and CIA have been exempted, but not State, from this exercise, making it difficult for us to return to the desired staffing balance to service the needs of the intelligence community, as explained above and as emphasized by Bill Casey.

Dave refers at length to OMB's helpful treatment of our foreign assistance budget, but that, frankly, is not at all germane. In this context, we are concerned with our operating budget because it, alone, impacts our ability to serve the intelligence community. Increases in our foreign assistance do nothing to solve the problem at hand.

I would emphasize that State is not looking for a blank check. If designated a national security agency, State would still expect to justify and support each request for personnel and funds. It asks only to be exempted from the general, across-the-board cuts and restrictions of the past, because it is not in a position to absorb them and still carry out our missions overseas, including providing adequate service to the intelligence community.

Dave has stated that he recognizes the important national security element in our operations. All we are asking is that such recognition be formalized as a part of administrative policy by classifying State as a national security agency. It is certainly no stretch of the imagination to remove State from the domestic category. Indeed, the Department's present designation as "domestic" seems quite inappropriate when virtually all of its operations are directed overseas.

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I know that Dave has been concerned that exceptions to blanket cuts might reduce their acceptability to Congress. It seems to me that it would actually help in that area if State were formally designated a security (non-domestic) agency. Then the Department's exemption from future blanket cuts would occur automatically, by definition, as it now does for DOD and CIA. This would make it unnecessary to specifically exempt State when a reduction for all domestic agencies is instituted.

Drafted by: M:JWVan Gorkom:bhp:lgr
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